**Section 810.60 Project Analysis**

a) Economic Analysis

1) The Department will gather background, historical or projected cost and revenues on the line, including on-line and off-line costs, maintenance expenditures, and administrative overhead. The Department will also evaluate the current or proposed operation, including service frequency, crew size and engines.

2) The Department will use shipper-provided information to estimate the impacts due to loss of rail service or benefits of new or improved rail service, including actual and projected car loadings, employment impacts and transportation costs. The Department will distribute shipper surveys to every shipper on a line to determine existing and projected transportation needs for which State assistance is requested. This proprietary information will be used to determine impacts of the loss of, or failure to provide, service.

3) The Department will use the information obtained in subsection (a)(2) to determine the total benefits to be realized from the proposed project over a project life of at least five years, which reflects a minimum service or use commitment required for State investment.

b) Engineering Analysis

1) The Department will perform a detailed field inspection of the project. It will sample track condition and assess each switch, crossing, and structure on a line. It will use the railroad's published engineering standards or appropriate *AREA* specifications (1985-86 Manual For Railway Engineering, Vol. I & II and Portfolio of Trackwork Plans, American Railway Engineering Association, Washington, D.C., 1985, not including any subsequent amendments or editions).

2) Based on the inspection, the Department will develop a physical description of the project, including track, switches, crossings and structures, emphasizing their condition and capability.

3) The project description will be used to estimate the necessary construction, rehabilitation and/or improvement costs to bring the line within (or to maintain) the appropriate Federal Railroad Administration safety class standards (49 CFR 213 (1985), not including any later amendments or editions). The Department will perform or verify engineering cost estimates to determine the estimated cost of the project for necessary construction or rehabilitation. The development or verification shall include, as applicable, the lineal footage of track to be constructed, improved, or rehabilitated, material items needed, number of units of materials, unit cost of materials, total materials cost, net salvage value of materials to be replaced, labor cost to install materials, special equipment costs, and the total cost.

4) Based on these estimates the Department will determine the cost component of the benefit/cost analysis by calculating the capital investment required to implement the project, less the residual value of the project material after the project life has been realized.

c) Comparison of Benefits to Project Costs

The Department will determine a project's eligibility based on a benefit/cost ratio, as well as the criteria found in Section 810.50(b). In all cases, however, failure of benefits to exceed costs will render a proposed project ineligible.

d) The applicant may respond to the preliminary review by providing additional benefit and cost information.